



**North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse
Services**

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Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

Richard J. Visingardi, Ph.D., Director

February 18, 2002

MEMORANDUM:

Budget Reduction: March 15, 2002 Due Date

TO: Area Directors

FROM: Phillip Hoffman
Chief Budget Officer

RE: Area Program \$1,500,000 **Recurring Reduction** Related to Area Program Administrative Cost Reduction

In the November 9, 2001, memorandum from Art Robarge to Area Directors regarding "SFY 02 Continuation Adjustments and Expansion Allocations", item 1 on page 2 advised you of a \$1,500,000 reduction related to area administrative costs which would be forthcoming. Following the work of the Area Program Administrative Cost Reduction Work Group, and approval of the recommendation by DHHS, I am herein advising you of the distribution of this **recurring** reduction and the required next steps.

Area program representatives processed the following reduction recommendation through the Council and received endorsement. It was subsequently endorsed by the full Area Program Administrative Cost Reduction Work Group and DHHS. *Adopted as Recommended: One-half of the reduction will be prorated to all area programs on a population per capita basis; the other one-half will be prorated among the top half of area programs on the Division's per capita funding list.*

In determining distribution of the full \$1,500,000 reduction, the following methodology was utilized. *Methodology:* Part 1 - \$750,000 of the reduction was distributed among all area programs based on prorata share of the July 1, 2001, State population. Part 2 - Current recurring Division State and Federal allocations, less Cross Area Service Program (CASP) funds, divided by July 1, 2001, population = Division per capita funding level by area program. In this ranking, the 20th area program (Southeastern Regional) was utilized as the median. Next, via an example, the difference between Riverstone's \$70.51 per capita amount and Southeastern Regional's \$45.46 per capita amount was multiplied by Riverstone's population and that amount became Riverstone's proportionate base, relative to all other area programs above Southeastern Regional's per capita amount. These relative percentages were then utilized to distribute \$750,000 of the reduction to the top half of Division funded programs. Both State and Federal Division allocated funds were considered in the base for this computation since both funding sources are resources and we do not want to unfairly penalize programs with a higher percentage of State dollars than Federal Division allocated funds. The attached spreadsheet reflects the distribution of this reduction by each tier of the recommendation and the total amount to be reduced.

At this point, we need each area program to complete the attached reduction assignment form and return it to Wanda Mitchell in the Budget Office at the above letterhead address. Since the Division does not allocate funds into an administrative account to area programs, each area program will need to advise us of how you wish to assign the reduction by amount, by Division fund code and by Division account code.



In determining the assignment of this reduction, the following are requirements and guidelines that must be met:

1. Reductions are not to be taken in fund code and account code combinations which are *significantly* disproportionate to total Division funding. For example, CTSP and MR/MI funds are among the funds which may be reduced, however, these two sources are not to be targeted in a disproportionate manner for reduction when considering all Division funding.
2. Reductions may not be taken in HUD funded programs which would result in their closure.
3. When assigning reductions, reductions must be limited to State fund codes, i.e., State codes are 1290 for both child and adult mental health (including CTSP), 1390 for developmental disabilities (including MR/MI), and 1490 for substance abuse.
4. The Legislative Special Provision has tied this \$1,500,000 to a reduction in administrative costs. When making reductions, reductions in funding **cannot be passed along to contract service providers**. Language in the Legislative Conference report for this reduction states, "Administration in Area Programs - Reduces state appropriations to area mental health programs and directs DHHS to develop and implement guidelines to bring administrative costs at area programs into a more reasonable range."
5. Reductions cannot be made in Division designated Cross Area Service Programs (CASP) funding without prior approval by the Division. Since CASP programs serve a broad geographical area, individual area programs will not be permitted to assign their individual portion of the reduction to CASP programs without prior consideration and approval by the Division. As noted in the distribution formula above, the Division excluded CASP funding levels in your per capita amounts, therefore, area programs which host CASP programs had this taken into account in the assignment of the reduction. If an area program wishes to request a reduction in CASP funding, this should be directed to Wanda Mitchell in the Budget Office immediately for Division review and response.

Please complete the attached "Assignment of Area Administrative Cost Reduction" form and submit it to Wanda Mitchell in the Budget Office by Friday, March 15, 2002. Upon approval of the reduction assignments, the Division will follow-up with a formal "deallocation" letter. If there are questions about the assignment of funds, the Division will follow up with individual area programs as needed. The Budget Office will coordinate a review of the proposed reductions with all impacted program sections and the Division Director prior to approving any plans.

If you have any questions, please give me a call at 919-733-7013 or e-mail at Phillip.Hoffman@ncmail.net

PDH/ph
Attachments

cc: Area Board Chair
Area Finance Officer
County Managers
Executive Staff
Budget Office Staff
Allyn Guffey
Jack Chappell
Lanier Cansler
James Bernstein
Rob Lamme
Carol Duncan Clayton
Fred Waddle



Distribution of \$1,500,000 Recurring Area Administrative Cost Related Reduction
February 2002: Prepared by DMHDDSAS Budget Office

1	2	3	4	5	6	7
Area Program	SFY 02 Division Allocation Total (a)	July 1, 2001 Population	Division Per Capita	\$750k Cut on Population	\$750k Cut Div. Per Cap (b)	Total \$1.5m Reduction
Riverstone	4,055,150	57,508	70.51	5,247	49,717	54,964
Tideland	6,009,781	94,611	63.52	8,633	58,958	67,591
OPC	12,299,066	207,965	59.14	18,976	98,155	117,131
Wilson-Greene	5,439,883	94,081	57.82	8,585	40,122	48,707
Rutherford-Polk	4,658,949	82,285	56.62	7,508	31,680	39,188
Roanoke-Chowan	4,241,329	75,120	56.46	6,854	28,509	35,363
Alamance-Caswell	8,817,477	157,169	56.10	14,341	57,702	72,043
Rockingham	5,069,732	92,533	54.79	8,443	29,777	38,220
VGFW	8,827,765	161,790	54.56	14,763	50,806	65,569
Sandhills	11,457,758	211,059	54.29	19,258	64,267	83,525
Smoky Mountain	9,384,522	173,956	53.95	15,873	50,932	66,805
Duplin-Sampson-Lenoir	8,798,942	171,839	51.20	15,680	34,045	49,725
New River	8,219,622	162,317	50.64	14,811	28,992	43,803
Pathways	17,921,784	354,988	50.49	32,391	61,523	93,914
Edgecombe-Nash	7,136,628	144,018	49.55	13,141	20,328	33,469
Lee-Harnett	6,954,853	143,810	48.36	13,122	14,381	27,503
Albemarle	5,619,812	117,842	47.69	10,753	9,051	19,804
Crossroads	11,099,308	235,495	47.13	21,488	13,557	35,045
Randolph	6,278,003	133,309	47.09	12,164	7,498	19,662
Southeastern Regional	11,358,430	249,835	45.46	22,797	Median	22,797
Blue Ridge	11,881,399	263,683	45.06	24,060	0	24,060
Wayne	5,154,040	114,417	45.05	10,440	0	10,440
Durham (Median)	10,221,595	228,603	44.71	20,859	0	20,859
Davidson	6,676,767	149,489	44.66	13,640	0	13,640
Trend	5,389,490	120,999	44.54	11,041	0	11,041
Pitt	6,021,336	137,029	43.94	12,503	0	12,503
Neuse	7,542,992	176,071	42.84	16,066	0	16,066
Foothills	10,202,904	245,947	41.48	22,442	0	22,442
Piedmont	18,624,552	455,015	40.93	41,519	0	41,519
Catawba	5,827,564	144,400	40.36	13,176	0	13,176
Southeastern	11,190,501	282,907	39.56	25,814	0	25,814
Guilford	16,802,587	429,715	39.10	39,210	0	39,210
Centerpoint	13,941,156	392,067	35.56	35,775	0	35,775
Onslow	5,057,642	152,063	33.26	13,875	0	13,875
Cumberland	9,858,317	307,116	32.10	28,021	0	28,021
Mecklenburg	22,969,023	718,298	31.98	65,546	0	65,546
Wake	20,763,821	653,058	31.79	59,589	0	59,589
Johnston	3,449,826	127,087	27.15	11,596	0	11,596
TOTAL	355,224,306	8,219,494	N/A	750,000	750,000	1,500,000

- (a) Recurring allocations only, less CASP allocations, as of February 13, 2002. Total also includes MR/MI and CTSP allocations.
(b) This portion of reduction applicable only to top half (1 thru 19) based on Division per capita allocations.

Questions: Contact Phillip Hoffman or Wanda Mitchell in DMHDDSAS Budget Office - 919-733-7013.

Assignment of Area Administrative Cost Reduction: SFY 02 Recurring Reduction

Area Program:

Prepared By:

Phone Number:[illegible]

Signature:

Title: Area Director

Column 1: 1290 = Mental Health; 1390 = Dev. Disabilities; 1490 = Substance Abuse

Column 2: Use account codes per Division allocation letters.

Column 3: Enter title of Division Account - this is a double-check against accounts codes.

Column 4: Enter the respective amount of each fund code/account code reduction.

Column 5: If in a UCR account, indicate Fund Reserve to be reduced, e.g. CMH Periodic...

Questions: Contact Phillip Hoffman, Wanda Mitchell, Kristi Hickman, Elizabeth Brown or Kent Woodson in the DMHDDSAS Budget Office: 919-733-7013.

Submit Form to: Wanda Mitchell in DMHDDSAS Budget Office by March 15, 2002.